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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 20, 1999

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

CASE NO. SEC980044

PARAMOUNT COMMUNICATIONS & COMPANY, INC.,  
PARAMOUNT PAYPHONE SOUTHERN LLC,  
PARAMOUNT PAYPHONE EASTERN LLC  
PARAMOUNT PAYPHONE LLC  
PARAMOUNT PAYPHONE SELECT LLC IV,  
EDWARD MCCABE,  
CHARLES SCHOOLCRAFT,  
JAMES O. BAXTER, JR.,  
and  
ROBERT HAWKINS,  
Defendants.

FINAL ORDER

ON ANOTHER DAY the Commission ordered that a hearing on the Rule to Show Cause, issued against the Defendants, be held before a Hearing Examiner to receive evidence on the violations alleged.

The hearing was convened on October 15, 1998, with evidence being taken on that day. Defendants Schoolcraft and Baxter appeared pro se. No other Defendant filed any written response to the Rule or made an appearance, although all defendants were served with the Rule in accordance with law. The Division of Securities and Retail Franchising ("Division") was represented by staff counsel. After the Division presented its case,

Defendant Baxter requested and was granted a continuance to subpoena witnesses. The hearing resumed on January 26, 1999, at which time the participating Defendants presented their cases.

On March 19, 1999, the Hearing Examiner filed his report. The Division filed Comments to the Report on the 14th day of April 1999. No other party filed Comments. After considering the evidence presented the Hearing Examiner found:

1. That the evidence presented establishes that the memberships in the Limited Liability Companies sold by the Defendants are securities which meet the standard articulated in Securities and Exchange Commission v. W. J. Howey Co., et al., 328 U.S. 293, 66 S. Ct. 1100 (1946);

2. That the evidence presented establishes that the Defendant, Robert Hawkins, sold a security to John Dunn by making omissions of material facts in violation of § 13.1-502(2) of the Code of Virginia;

3. That the evidence presented establishes that the Defendant, James O. Baxter, Jr. on two occasions, sold a security to Gloria Logan by making material omissions of fact in violation of § 13.1-502(2) of the Code of Virginia;

4. That the evidence presented establishes that the Defendant Charles Schoolcraft sold a security to Otis Lee by making omissions of material fact in violation of § 13.1-502(2) of the Code of Virginia;

5. That, pursuant to § 13.1-518 of the Code of Virginia, the Defendants Robert Hawkins, James O. Baxter, Jr. and Charles Schoolcraft should be held jointly and severally liable for the costs of the Division's investigation in this matter in the amount of \$5,316;

6. That, pursuant to § 13.1-521 of the Code of Virginia, Defendant Hawkins should be penalized \$5,000.00;

7. That, pursuant to § 13.1-521 of the Code of Virginia, Defendant Schoolcraft should be penalized \$5,000.00;

8. That, pursuant to § 13.1-521 of the Code of Virginia, Defendant Baxter should be penalized \$5,000.00 for each offense for a total of \$10,000;

9. That, pursuant to § 13.1-519 of the Code of Virginia, Defendants Hawkins, Baxter and Schoolcraft should be permanently enjoined from committing such violations of law in the future; and

10. All other charges should be dismissed for lack of evidence.

Upon consideration of the Hearing Examiner's Report, the Comments thereto, the transcript of the hearing and the exhibits filed therewith, the Commission is of the opinion and so finds that the Hearing Examiner's Report, with the exception of the amount of the penalties imposed, should be adopted. Accordingly,

IT IS ORDERED THAT:

(1) Pursuant to § 13.1-518 of the Code of Virginia, the Defendants Robert Hawkins, James O. Baxter, Jr. and Charles Schoolcraft should be held jointly and severally liable for the costs of the Division's investigation in this matter in the amount of \$5,316.

(2) Pursuant to § 13.1-521 of the Code of Virginia, Defendant Hawkins be, and he is hereby, penalized \$1,000.00.

(3) Pursuant to § 13.1-521 of the Code of Virginia, Defendant Schoolcraft be, and he is hereby, penalized \$1,000.00.

(4) Pursuant to § 13.1-521 of the Code of Virginia, Defendant Baxter be, and he is hereby, penalized \$1,000.00 for each offense for a total of \$2,000.00;

(5) Pursuant to § 13.1-519 of the Code of Virginia, Defendants Hawkins, Baxter, and Schoolcraft be, and they are hereby, enjoined from committing such violations of law in the future.

(6) All other alleged violations of law charged in the Rule to Show Cause be, and the same are hereby, dismissed.

(7) This case be removed from the Commission's docket of active cases.